

1 BY MR. PACE: Q. Do you have that in front of
2 you, Mr. Palmer?
3 A Excuse me. I didn't hear you.
4 Q Schedule 3, Page 3, attached to
5 Ameritech Illinois Exhibit 10.2.
6 A Yes, I do.
7 Q Okay. Now, there you show --
8 JUDGE CASEY: I believe that's mismarked. I
9 believe it's supposed to be 10.3. The schedule
10 itself is mismarked.
11 MR. PACE: Okay. Thank you.
12 BY MR. PACE: Q. Now, that shows a calculation
13 with respect to the one-year life group, correct?
14 A That's one of the calculations,
15 correct.
16 Q Okay. And you show on that Schedule 3
17 investment which lists one year as \$4,600; is
18 that correct?
19 A That's correct.
20 Q Now, isn't it true -- isn't it correct
21 that Ameritech Illinois actually calculates
22 depreciation expense monthly?

1 A. I don't know.

2 Q. Okay. I am going to hand you a copy of the
3 data request and response. It says Data Request
4 SDR 001 which I have identified as City Palmer
5 Cross Exhibit 20, and specifically to the third
6 page of City Palmer Cross Exhibit 20, first of all,
7 this is the standard Ameritech Illinois
8 Depreciation Expense Report, isn't it?

9 A. It appears be a page from a report.

10 JUDGE CASEY: From what, Mr. Palmer?

11 THE WITNESS: I said it seems to be a page from
12 a report.

13 I don't know if I agree with the
14 characterization that was in the question.

15 I would have to have the question.

16 BY MR. PACE: Q. Okay. So looking at --

17 A. There seems to be other stuff on here.

18 JUDGE MORAN: You might ask if you --

19 BY MR. PACE: Q. Well, you recognize this as one
20 page of Ameritech Illinois Depreciation Expense
21 Report?

22 MR. ANDERSON: First of all, I am going to

1 object to that question.

2 I don't know that there has been any
3 foundation laid that this is part of a depreciation
4 expense report, unquote.

5 I think the foundation needs to be laid
6 as to whether the witness recognizes this schedule
7 or knows what the schedule is or knows what report
8 this schedule is from, and that foundation hasn't
9 been laid.

10 JUDGE MORAN: You do have to lay a foundation.

11 BY MR. PACE: Q. You do recognize, Mr. Palmer,
12 that this is a data request sent to Ameritech
13 Illinois?

14 JUDGE MORAN: Is it a staff data request? Is
15 that how staff has been --

16 MR. HARVEY: I believe that the first group of
17 staff data requests sent in -- when was it --
18 January of last year did bear that nomenclature.

19 Subsequent ones bore the initials of the
20 requested party.

21 BY MR. PACE: Q. So this is a response to a staff
22 data request, is it not, Mr. Palmer?

1 A. It appears to be a response to staff data
2 request, but the staff data request has items A
3 through I on the first page, A through K. And I'm
4 trying to figure out which one of these items this
5 particular page is responsive to. So maybe you
6 could help me out there.

7 Q. Okay.

8 JUDGE MORAN: Let me ask some questions.

9 Mr. Palmer, did you prepare this
10 response?

11 THE WITNESS: No.

12 JUDGE MORAN: Okay. Have you ever seen this
13 response prior to it being given to you today?

14 THE WITNESS: No, your Honor.

15 JUDGE MORAN: Do you know if this is a complete
16 response to this -- to a data request?

17 THE WITNESS: No. I would have no way of
18 knowing.

19 BY MR. PACE: Q. But you don't deny that this is
20 a --

21 MR. ANDERSON: I am --

22 BY MR. PACE: Q. -- response --

1 MR. ANDERSON: I am going to object to that.
2 You are asking him to deny or accept something, and
3 he says he doesn't know. So I am going to object.
4 MR. PACE: I think --
5 JUDGE MORAN: He can only say what it is.
6 MR. PACE: Your Honor, I think it's somewhat
7 incredible that we have a witness here that is
8 attaching schedules to his testimony, trying to
9 illustrate the proper depreciation reserve
10 calculation and he can't even recognize a
11 depreciation page -- depreciation report of the
12 company he's at.
13 JUDGE MORAN: You can ask him if he relied upon
14 that in preparing his testimony, if he's familiar
15 with it, if he relied on it.
16 BY MR. PACE: Q. Mr. Palmer, do you agree that
17 Ameritech Illinois calculates depreciation expense
18 monthly?
19 MR. ANDERSON: That's been asked and answered.
20 BY MR. PACE: Q. What was the answer?
21 JUDGE CASEY: I believe he didn't know.
22 MR. PACE: I don't believe that was the answer.

1 MR. ANDERSON: I believe that was the answer.

2 THE WITNESS: You can go back to my answer.

3 BY MR. PACE: Q. To save time, you can just repeat
4 it.

5 Is it correct that Ameritech Illinois
6 calculates depreciation expense monthly?

7 A. And I said I didn't know because I don't
8 know if it's "calculates" or "reports" depreciation
9 expense monthly.

10 The cost studies I do with respect to
11 depreciation and capital costs, they all use
12 forwarded -- forward looking total growth reserve
13 methodology.

14 We don't rely at all on financial
15 reports or accounting costs or book costs.

16 That's why I am not familiar with this
17 particular page of this report or what it purports
18 to respond to.

19 JUDGE MORAN: Do you even know who prepared this
20 particular report?

21 THE WITNESS: No, I don't.

22 BY MR. PACE: Q. Mr. Palmer, are you a

1 depreciation expert?

2 A. No. I am not a depreciation engineer at
3 all.

4 Q. You are not what?

5 A. A depreciation engineer.

6 Q. Are you a depreciation expert?

7 A. No. I wouldn't characterize myself as a
8 depreciation expert.

9 Q. Have you ever looked at Ameritech Illinois'
10 depreciation calculations?

11 MR. ANDERSON: I am going to object, beyond the
12 scope of the testimony.

13 He explained how he develops
14 depreciation expense per use in his model.

15 Q. I am asking if he relies on depreciation
16 calculations of the company. I am asking a
17 foundation question for that.

18 MR. MUNSON: Then I object that it's vague
19 because I don't know what calcu -- what you mean
20 by that, calculations of the company.

21 BY MR. PACE: Q. Mr. Palmer, can you answer the
22 question?

1 A. I will go back to my previous answer. The
2 way we calculate capital costs and forward looking
3 LRSIC studies is called a forecasted growth reserve
4 method, and what we do is --

5 BY MR. PACE: Q. Mr. Palmer, I have asked you a
6 very specific question.

7 Have you ever looked at Ameritech
8 Illinois' depreciation calculations. I didn't ask
9 you what you used. I just asked you that question.

10 A. I have looked at them, and I tried to
11 explain I don't use them.

12 Q. You have looked at them?

13 A. In a cursory fashion, yes.

14 Q. In a cursory fashion; is that your
15 testimony?

16 A. I've never had any need or desire to, you
17 know, study those, audit those or analyze those.

18 They are completely removed from my job
19 in doing LRSIC analyses.

20 Q. Okay, Mr. Palmer.

21 MR. PACE: Your Honor, we would ask that the
22 company authenticate City Palmer Cross Exhibit 20

1 as a true and accurate copy of part of the response
2 to SDR Data Request 001.

3 JUDGE MORAN: What do you mean by
4 "authenticate"?

5 I am going to tell you as I look at this
6 data request, I have a problem already because the
7 data requested, which is, I believe, the questions
8 put to the company in this data request, continue
9 H, I. The response which is on the second page
10 goes to J and K. So there appears to be more of
11 the data request and -- there seems to be less of
12 the data request, more of the data response, that
13 this is not a complete copy of anything.

14 MR. PACE: That's true, your Honor.

15 I am not purporting to say that this is
16 a complete copy, but what I am asking for
17 recognition of the fact is that the third page of
18 City Palmer Cross Exhibit 20 was provided by the
19 company in response to SDR 001, and I believe it's
20 Subpart E, monthly managerial reports providing
21 financial results of operations for each of the
22 past 12 months and each of the 8 subsequent months

1 as it becomes available.

2 JUDGE MORAN: So you are purporting to tell us
3 that Page 3 is part of the response of E?

4 MR. PACE: Correct.

5 JUDGE MORAN: Is it the only response of E?

6 MR. PACE: No.

7 JUDGE MORAN: Well, then it doesn't give us a
8 good and accurate trail of what is going on in
9 these data requests and these responses.

10 Does a complete version of this data
11 request and response exist?

12 MR. PACE: I am sure that there -- I shouldn't
13 say I am sure.

14 JUDGE MORAN: And does it possibly reflect who
15 prepared it?

16 MR. PACE: I don't know the answer to that
17 question. I assume --

18 JUDGE MORAN: You can't tell from here, and I
19 don't have a full copy from you. So...

20 MR. PACE: I guess the point is that this,
21 obviously, was a request sent to the company. The
22 company, obviously, responded to some extent.

1 We have attached a page which we believe
2 is part of that response.

3 If the hearing examiners would like the
4 full response to this question, as opposed to a
5 partial response to this question as an exhibit --

6 JUDGE MORAN: I think you have to do that. It's
7 unfair -- it raises too many questions when you put
8 in a partial document. It's the rule of
9 completeness.

10 MR. ANDERSON: I guess I have an objection, and
11 Mr. Pace is asking for this so-called
12 authentication to lay a foundation for putting this
13 into the record.

14 We are here for the cross-examination of
15 Mr. Palmer on his testimony.

16 I believe the testimony of Mr. Palmer
17 indicates he didn't rely on -- hasn't prepared it,
18 hasn't seen it, hasn't relied on it, it's not
19 relevant to Mr. Palmer's testimony. It's outside
20 the scope of his testimony. We received thousands
21 of data requests, and we provide thousands of
22 responses. We don't acknowledge by responding that

1 every single response is relevant in every stage of
2 the proceeding.

3 If GCI had questions for a witness who
4 was here who testified on depreciation expense,
5 perhaps it would have been relevant at that time.
6 I don't know.

7 But it's not relevant at this time.

8 JUDGE MORAN: I believe we agree that it's not
9 relevant however.

10 MR. PACE: I am sorry. I didn't hear that.

11 JUDGE MORAN: We believe it is not relevant in
12 terms of Mr. Palmer.

13 MR. PACE: Mr. Palmer does talk about
14 depreciation in his testimony.

15 JUDGE MORAN: However he did, in fact, testify
16 that he did not prepare --

17 MR. PACE: I understand that.

18 JUDGE MORAN: -- this particular document, and
19 he did not rely on it.

20 Am I correct, Mr. Palmer, you did not
21 rely on this particular document?

22 THE WITNESS: In no way or fashion.

1 JUDGE MORAN: What we will have the company do
2 is provide a response to the hearing examiners as
3 to who, in fact, prepared this response.

4 MR. PACE: And just --

5 JUDGE MORAN: The City will provide a full copy
6 of the request to the response.

7 MR. PACE: My understanding is the full response
8 to this is quite voluminous and may not be entirely
9 appropriate to put all of this into the record, if
10 any of it goes into the record.

11 We are concerned with, obviously, the
12 response to E which has at least 12 months of the
13 data that's shown on Page 3.

14 So I mean to the extent that we are
15 talking about following up on this, and I think it
16 might behoove us to narrow our scope to that.

17 I mean, this data request goes way
18 beyond the depreciation issues which we are
19 interested in.

20 For instance, H talks about the labor
21 contact. I don't think at this point we want to be
22 talking about that.

1 JUDGE MORAN: Okay. I am sorry.

2 MR. PACE: So at this point the company is going
3 to find out who prepared this, and we are
4 specifically interested in Subpart E, and at that
5 point we'll take this issue --

6 JUDGE MORAN: Well, to the extent that whoever
7 prepared there is not -- has not appeared as a
8 witness yet, you'll be able to cross-examine that
9 particular witness on this.

10 MR. PACE: Your Honor, I think that some
11 latitude should be allowed.

12 We have talked to Ameritech's counsel
13 about outstanding data requests and having them
14 admitted into the record as a late-filed exhibit.

15 As counsel for Ameritech has said,
16 there's been thousands of data requests here.

17 Mr. Palmer attached depreciation
18 information to his testimony. I believe it was
19 responsible for us to assume that he would be
20 familiar with a data response that dealt with
21 depreciation of the company or generally understood
22 how depreciation worked. I think it would be

1 unfair for us not to get that exhibit in if it's a
2 true and accurate copy of the response to a data
3 request of how they calculate their depreciation.

4 JUDGE MORAN: The problem is it cannot go
5 through this witness. This was not relied on by
6 this witness, and this witness has not prepared it.

7 MR. PACE: But we've talked about, and this was
8 on the record earlier, about admitting responses to
9 data requests as late-filed exhibits. That's
10 something that Ameritech Illinois and GCI --

11 MR. ANDERSON: First of all --

12 JUDGE MORAN: Excuse me. And you could have
13 taken the opportunity to find out who in the world
14 prepared the responses to this prior to the
15 hearing.

16 MR. ANDERSON: I was only going to note that I
17 believe that this response would have been provided
18 possibly in the spring or early summer of 2000.

19 MR. PACE: But the fact --

20 MR. ANDERSON: SDR 001 is one of the first --

21 JUDGE MORAN: So you are saying it's been around
22 for a long time?

1 MR. PACE: Yeah, but the supplemental
2 surrebuttal was just filed. This was just filed
3 with this attachment, Schedule 3, Exhibit 10.3.

4 JUDGE MORAN: And you certainly can cross all
5 you want on that -- on those schedules.

6 MR. PACE: But I am going to the point that the
7 relevance of the SDR 001 with respect to Mr. Palmer
8 just became evident when he filed this supplemental
9 surrebuttal testimony a week before the hearing.
10 So I think in responding to what Mr. Anderson,
11 again, it's not that it's been around for eight
12 months. It's that it's become an issue only in the
13 last couple weeks.

14 I don't think it would prejudice
15 Ameritech to have their actual data into the
16 record.

17 MR. ANDERSON: I just want to make one further
18 response, and then I won't respond further.

19 The issue of how depreciation is
20 calculated for a LRSIC study and how Mr. Palmer
21 calculated depreciations for a LRSIC study has been
22 an issue since Mr. Palmer presented his direct

1 testimony in this case.

2 The calculation of depreciation as a
3 particular issue was joined earlier than the
4 supplemental surrebuttal testimony. So to state
5 that the issue of the relevance of how depreciation
6 expense is calculated all of a sudden arose for the
7 first time in supplemental surrebuttal testimony I
8 believe is incorrect.

9 MR. PACE: I disagree. It's in response to
10 Mr. Dunkel's rebuttal testimony, as I believe, in
11 terms of the average reserve conditions. This is
12 what he first brought out in the supplemental
13 surrebuttal.

14 JUDGE MORAN: This cross exhibit is not coming
15 in with this witness, and Ameritech is instructed
16 to provide us the information and get the full data
17 request and response.

18 Okay. Where are we at?

19 MR. PACE: I have additional cross.

20 JUDGE MORAN: You have additional cross?

21 Please proceed.

22 BY MR. PACE: Q. Okay. Sticking with Schedule 3,

1 Page 3 of Schedule 3 to Ameritech Illinois Exhibit
2 10.3, now, this schedule, among other things,
3 calculates an average reserve of \$100,000
4 investment that stays in service for ten years,
5 correct?

6 A. Correct.

7 Q. Now, this Schedule 3 calculates the average
8 investment to be \$50,000 over the life of the
9 plant, correct?

10 A. It's an average plant surviving over the
11 life of the plant.

12 Q. I'm sorry?

13 A. It's the average plant surviving over the
14 life of the plant.

15 Q. Now, does this average include all ten
16 investment figures shown?

17 A. That's correct.

18 Q. Now, about a third of the way down on Page
19 3 of Schedule 3, you have a number listed for
20 average reserve of \$18,182.

21 Do you see that number?

22 A. Yes.

1 Q. Now, is it correct that you got that number
2 by adding the numbers on the depreciation reserve
3 line all the way across and divided by 11?

4 Is that correct?

5 A. I believe the footnote average reserve says
6 it's -- average of depreciation reserve years 0
7 through year 10.

8 Q. So is the answer correct that you add the
9 numbers on the depreciation reserve line all the
10 way across and divided by 11?

11 A. Yes.

12 Q. Okay. Now, in this calculation on Page 3
13 of Schedule 3, the numbers you displayed on that
14 depreciation reserve line included a zero at the
15 start and a zero at the end; is that correct?

16 A. That is correct.

17 Q. So by adding a zero at both ends, you have
18 two years on the average where the reserve was
19 zero, correct?

20 A. Yes.

21 Q. So would it be fair to say that the average
22 investment includes 10 figures and the average

1 reserve includes 11 figures?

2 A. You know, I would like to verify what
3 the -- if the average plant surviving includes 10
4 or 11 figures. I'm looking for my calculator over
5 here.

6 JUDGE MORAN: I am sorry. You need a
7 calculator?

8 JUDGE CASEY: We'll go off the record.

9 (Discussion off the record.)

10 BY MR. PACE: Q. Do you want me to repeat the
11 question?

12 A. Yeah, you could if you want, but I think I
13 know the answer.

14 Q. Let me just repeat it.

15 Is it true that the average investment
16 includes 10 figures and the average reserve
17 includes 11 figures on Schedule 3, Page 3, of
18 Ameritech Exhibit 10.3?

19 A. Yeah. This verified what I called the
20 average plant surviving is, you know, the numbers
21 of the plants surviving column divided by ten.

22 Q. Right, but I am asking for a comparison of

1 the two calculations.

2 A. The other one, like we talked about the
3 depreciation reserve, was dividing numbers by 11.

4 Q. By 11 figures?

5 A. Right.

6 Q. Okay. Okay. Move to another subject area.
7 Supplemental Surrebuttal Testimony, Page 13.
8 Proprietary version Line 21?

9 MR. ANDERSON: What was the reference again?

10 I am sorry.

11 MR. PACE: Supplemental surrebuttal Ameritech
12 Illinois Exhibit 10.3, Page 13.

13 JUDGE MORAN: Mr. Pace, can you give the
14 question so that for those --

15 MR. PACE: Before I mention any numbers, I will
16 make sure.

17 MR. ANDERSON: Are you asking about the question
18 that begins on Line 3?

19 JUDGE MORAN: You've got to talk questions. You
20 have got to put in the questions.

21 MR. PACE: The question is, at Page 75 and 76 of
22 his rebuttal testimony, Mr. Dunkel discusses the

1 average depreciation reserve and life of
2 investments, that question.

3 MR. ANDERSON: Okay. Thank you.

4 JUDGE MORAN: Is there anything proprietary
5 here?

6 MR. ANDERSON: Not in that question and answer.

7 JUDGE MORAN: Okay. All right.

8 BY MR. PACE: Q. You say there, Mr. Palmer, isn't
9 it correct, that Mr. Dunkel's 50 percent scenario
10 also assumes that each count has a zero net salvage
11 value, Line 21?

12 A. Right.

13 Q. Now, isn't it correct that the example that
14 Mr. Dunkel presented in his testimony was for
15 buildings?

16 A. Yes.

17 Q. Now, is it also correct that the
18 depreciation parameters that the FCC currently
19 utilizes for your company, for Ameritech Illinois,
20 in the intrastate jurisdiction has a zero future
21 net salvage for buildings?

22 A. I will accept that subject to check.

1 Q. Would it be also true that for buildings
2 that the parameters the ICC approved and the alt
3 reg order had a zero future net salvage for
4 buildings?

5 A. I will accept that subject to check.

6 Q. Now, would it also be correct that for
7 those accounts that had a net salvage different
8 than zero Mr. Dunkel did include the impact of the
9 net salvage in his calculation?

10 And I would refer you to Page 58 of
11 Mr. Dunkel's direct and Page 75 of Mr. Dunkel's
12 rebuttal.

13 JUDGE CASEY: Are you asking Mr. Palmer to
14 confirm whether or not something is contained in
15 Mr. Dunkel's testimony?

16 MR. PACE: Yes, taking issue with his
17 characterization in his supplemental testimony.

18 JUDGE MORAN: Do you have Mr. Dunkel's
19 testimony, Mr. Palmer?

20 THE WITNESS: Yes, I do, and I am on Page 58 of
21 his direct.

22 And what was the question?

1 BY MR. PACE: Q. Isn't it correct that for those
2 accounts that have a net salvage value different
3 than zero that Mr. Dunkel did include the impact of
4 the net salvage in his calculation?

5 MR. ANDERSON: Do you have a specific line
6 number to refer to in Mr. Dunkel's testimony?

7 MR. PACE: One second. Mr. Palmer, do you know
8 that answer without looking at his testimony?

9 A. I am looking at Page 58, and what I see on
10 Page 58 is a statement that says, for an account
11 which has zero net salvage for a building
12 account --

13 JUDGE CASEY: Mr. Palmer, hold on.

14 Mr. Pace, can you direct the witness to
15 a specific spot in the testimony?

16 MR. PACE: If I could have a moment.

17 Okay. I am going to refer you to --
18 actually it's an attachment to the direct which is
19 GCI Exhibit 8.10, and your copy, it might be 3.10
20 because it originally circulated with that 3.10,
21 Page 3 of 4.

22 MR. ANDERSON: This is Schedule 8.10.

1 BY MR. PACE: Q. 8.10 attached to Mr. Dunkel's
2 direct testimony.

3 A. Okay. I have got that in front of me.

4 Q. Page 3. If you go over five columns, that
5 column is called Future Net Salvage, correct?

6 A. Correct.

7 Q. And if you go down that column for the
8 different accounts, you'll see numbers other than
9 zero, correct?

10 A. Correct.

11 Q. So isn't it correct that Mr. Dunkel did
12 include the impact of the net salvage in his
13 calculation when the net salvage was different than
14 zero?

15 MR. ANDERSON: I am going to object to that
16 question because there is no foundation laid that
17 the particular schedule you are referring to
18 relates in any way to any adjustments that
19 Mr. Dunkel made to the LRSIC studies presented by
20 Mr. Palmer.

21 BY MR. PACE: Q. So Mr. -- let me withdraw that
22 question, and I will ask another question.

1 You would agree that the future net --
2 excuse me -- on GCI Exhibit 8.10, Page 3, on the
3 first column under Future Net Salvage, there are
4 numbers listed underneath that for each of the
5 accounts, and some of those numbers are different
6 than zero, correct?

7 MR. ANDERSON: I guess I am going to object.

8 This exhibit speaks for itself. It
9 presumably is described in Mr. Dunkel's testimony
10 and for whatever purpose it's used.

11 MR. PACE: I think that this is a foundation
12 question, your Honor. I think he can say whether
13 those numbers differ from zero.

14 JUDGE MORAN: Okay. Where are we at?

15 JUDGE CASEY: Mr. Palmer, do the numbers say
16 something other than zero?

17 THE WITNESS: There is some zeros, and there's
18 some positive numbers, and there's some negative
19 numbers.

20 BY MR. PACE: Q. Okay. Now, didn't you say in
21 your supplemental surrebuttal that Mr. Dunkel did
22 not consider the impact of the net salvage value in

1 his calculation when the necessary salvage was
2 different than zero?

3 MR. ANDERSON: Do you have a specific reference?

4 JUDGE MORAN: You are saying where?

5 MR. PACE: In his supplemental surrebuttal, Page
6 13, Line 21.

7 THE WITNESS: I think what I am saying there --
8 and this is repetitive with my rebuttal
9 testimony -- that the scenario that Mr. Dunkel put
10 forth in his direct testimony, which said that the
11 net investment is always 50 percent, only works in
12 the simplest of circumstances, and those
13 circumstances included where every asset in a class
14 of asset lives exactly as long as the average life
15 assumed for that entire class, and when the net
16 salvage is assumed to be zero and when -- you know,
17 you don't consider deferred taxes or any of that.

18 I wasn't speaking to the specific
19 calculations he may or may not have performed.

20 I was responding to the statement in his
21 direct testimony that Ameritech Illinois' reserve
22 estimates are too low because it should always be

1 50 percent.

2 BY MR. PACE: Q. Thank you, Mr. Palmer.

3 Another topic, Page 15 of your
4 supplemental surrebuttal, you talk about deferred
5 taxpayers' reserves, the impact?

6 A. Yes.

7 Q. Now, is it correct that in the early years
8 of investment, money effectively flows into the
9 taxpayers' reserve and, in later years, money flows
10 out of that taxpayers' reserve?

11 A. That's correct.

12 Q. So for a given piece of equipment, the
13 taxpayers' reserve will be a positive number
14 growing during the early years and from some later
15 years a tax reserve for that piece of equipment
16 would decline and ultimately be zero; is that
17 correct?

18 A. Yeah. It starts to decline when you start
19 to pay back the taxes previously deferred.

20 Q. And isn't it correct that the tax reserve
21 will never be negative?

22 A. I wouldn't think that it could go negative.

1 Q. Okay. And the tax reserve is a separate
2 reserve from the depreciation and amortization
3 reserve, correct?

4 A. That's correct.

5 Q. Another subject of questions, going to your
6 direct testimony, Page 28, you were asked there to
7 summarize the changes that you made to the
8 Ameritech LFAM (phonetic) since it's last
9 aggregate revenue test response, correct?

10 A. Correct.

11 Q. Now, in this testimony you are comparing
12 the LRSIC and other information that you are using
13 in this case to what was contained in the last
14 aggregate revenue test or ART that was filed,
15 correct?

16 A. Yeah, compared it to the LRSIC that was
17 used in the last revenue test, right?

18 Q. Now, and I was going to -- I am not sure if
19 this is proprietary or not.

20 Are those numbers proprietary on Page 28
21 of your direct, Line 10?

22 MR. ANDERSON: Could I have a second please?

1 MR. PACE: The percent increases in the access
2 area cost.

3 MR. ANDERSON: Could we go off the record for
4 one second.

5 (Discussion off the record.)

6 JUDGE CASEY: Go back on the record.

7 BY MR. PACE: Q. Now, there on Line 10 of Page 28
8 of your direct, Mr. Palmer, you say that LRS IC as
9 calculated for this proceeding indicates increases
10 over the LRSIC presented in the last ART or
11 aggregate revenue test of 54 percent, 34 percent
12 and 46 percent in access areas A, B and C
13 respectfully, correct?

14 A. Correct.

15 Q. Now, in these percentages you are
16 specifically referring to the network access LRSIC,
17 correct?

18 A. Correct.

19 Q. Now, in the ART that was filed at the time
20 you filed this testimony, that was the ART for the
21 year 1999 which I believe is characterized as the
22 year 2000 ART?

1 A. You said something about filed with the
2 testimony or attached to the testimony.

3 Q. I apologize. I didn't mean to imply that
4 you actually attached the ART.

5 A. The one I referred to here?

6 Q. Yes.

7 A. Yeah. I believe that would be the ART
8 filed in 2000, and the LRSICs that supported that
9 were probably prepared in '99.

10 Q. Okay. And I am going to show you a copy of
11 an ART filing to -- for identification.

12 At this point I am just going to give it
13 to counsel for Ameritech and the witness and the
14 hearing examiners, if I may, in case -- this says
15 "confidential document proprietary."

16 JUDGE MORAN: Okay. We'll be going in camera.

17 MR. PACE: And I am going to identify it as --
18 I believe it's City Palmer Cross Exhibit 21.

19 JUDGE MORAN: Excuse me. Is anybody in the room
20 that has not signed the confidentiality agreement?

21 Everybody has. Okay.

22 MR. ANDERSON: I guess there is one person who

1 may not have.

2 MR. HARVEY: Mr. Reddick seems to be giving the
3 sign that he has not.

4 MR. REDDICK: I'll leave.

5 MR. ANDERSON: How did he get so lucky?

6 (Whereupon, an in camera
7 discussion was had.)

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